

Budget Information

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Understanding the Budget

The City's budget is the blueprint for the financial and policy decisions that the City will implement during each fiscal year. The budget is the single most important document we have for establishing control over the direction of change and determining the future; it lays the groundwork for what we hope will be our community's accomplishments in the future.

Within the pages of this document, you will find:

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| <ul style="list-style-type: none">• A fiscal plan• Revenue and expenditure summaries• Policy statement• Goals and objectives• An annual operating program | <ul style="list-style-type: none">• A long range planning guide• A management tool to ensure financial control• Indicators to ensure accountability and evaluate performance |
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Budget Preparation Process

Throughout the year, revenues and expenditures are monitored to enable the City to measure actual income and expenses against those projected in the budget.

The formative stage of every budget begins in the fall. City Council sets guidelines for the budget in November. These guidelines provide the framework for developing the new budget. Requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager for those programs and services required to maintain an essential level of service or provide for enhancements to programs as identified by City Council. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future events in the City and review of historic trends. By law, local government budgets must be balanced; i.e. expenditures may not exceed revenues.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit estimates, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the Planning Commission for public hearing and

evaluation. The Planning Commission holds a public hearing on the CIP and issues a memorandum to the City Council with recommendations and suggestions. The City Council holds a least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources. A capital budget (one year of the proposed CIP) is included in the operating budget. Both together become the proposed budget.

Once presented to Council, Council reviews the proposed budget and a minimum of two public hearings are held to provide the public with an opportunity to comment to ensure that the budget is responsive to citizen needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is proposed by City Council as the approved budget.

The budget, once approved, becomes a legally binding document. The budget can only be amended by the City Council after proper notice and a public hearing.

Review Schedule

The following dates are scheduled for City Council review and approval of the FY04-05 budget. Additional meetings may be scheduled.

December 1, 2003	Planning Commission Review of CIP
December 8, 2003	Planning Commission Public Hearing and Action on CIP
March 9, 2004	Presentation of the Proposed Budget by the City Manager
March 16, 2004	Work Session
March 17, 2004	Work Session
March 23, 2004	Public Hearing on Budget and CIP
March 30, 2004	Budget Outreach Meeting
April 6, 2004	Work Session
April 13, 2004	Budget Adoption (Operating and Capital)

Organization of the Budget

The City's financial operations are budgeted and accounted for in a number of funds. A fund is a separate accounting unit. Separate funds that have been established by the City include the following:

General Fund — Used to account for all general operating expenditures and revenues, this is the City's largest fund. Revenues in the general fund primarily are from property taxes, sales tax, the business license tax and state aid.

Capital Fund — Each year, the City adopts a five-year Capital Improvement Program (CIP) that serves as a blueprint for the long-term physical improvements that the City wishes to make. The Capital Fund is funded through a fund transfer from the general, water and sewer funds, state aid and bond issues. The current year CIP is proposed as part of the annual budget.

Stormwater Fund — The stormwater fund was established to carry out major stormwater projects. It is funded on an as-needed basis by one or two cents on the real estate rate, but has not received set-aside funding for several years. This is a separate Capital Fund.

Cable Grant Fund — This fund receives its revenue from a 3 percent cable television fee. The revenue can only be used for cable television equipment. This is a separate Capital Fund.

Open Space Fund – The open space fund was established to fund acquisition of open space and parkland in the City. It is funded on an annual basis by up to five cents on the real estate tax rate for five years. This is a separate Capital Fund.

Old Town Service District Fund – This fund was established to fund the costs of the proposed Old Town development projects. Old Town Service District special assessment taxes are being transferred into this fund in accordance with City Council Ordinance. This is a separate Capital Fund.

Utility Funds — Sewer and water services are accounted for in the utility funds. The sewer fund and water fund are enterprise funds. Enterprise funds are those funds in which the cost of providing goods or services is financed primarily through user charges.

Transit Fund — The transit fund is used to account for operations of the City's CUE bus. While set up as an enterprise fund, a transfer of money from the general fund into the transit fund covers a portion of the expenses of this fund.

The budgets of the general and capital funds (including Stormwater, Open Space, Old Town Service District and Cable Grant) utilize the modified accrual basis of accounting under which revenues are recorded when measurable and available to finance operations during the year. Expenditures, except for interest, are recorded when the liability is incurred. Interest is recorded when due. Budgets of the utility funds and transit fund utilize the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is

incurred. The budget bases of accounting do not differ from those used for financial reporting (all funds).

Glossary

Accrual Basis of Accounting – a method of accounting that recognizes the financial effect of transactions, events and inter-fund activities when they occur, regardless of the timing of related cash flows.

Proposed Budget – the final operating and capital budget approved by the City Council after public hearings and amendments to the proposed budget, if applicable; becomes legal guidance to the City management and departments for spending levels.

Advisory Referendum – a measure voted on by the general public in an election; refers to a specific question posed on a ballot which is non-binding and used to provide guidance to the elected representatives.

ALS – advanced life support.

Appropriation – an authorization made by the City Council that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are granted for a one-year period.

Assessed Value – the fair market value placed upon real and personal property by the City as the basis for levying property taxes.

Assessment/Sales Ratio – assessed value for each sale of real property divided by its selling price; used to determine if real property is assessed within a reasonable range of fair market value. The Commonwealth of Virginia requires that real property be assessed at 100% of fair market value. An acceptable assessment/sales ratio percentage is 70% or higher.

Basis of Accounting – the timing of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes.

Blenheim – generally refers to the 12-acre property and house (c. 1858) purchased by the City for historic preservation and possible development of a museum/interpretive center; Blenheim is listed on the National Register of Historic Places and significant because it contains the nation's largest and best-preserved collection of Civil War soldier graffiti.

BLS – basic life support.

Bond Debt Instrument – a written promise to pay a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal. Bonds are typically used for long-term debt to pay for specific capital expenditures.

Bond Ratings – a rating of quality given on any given bond offering as determined by an independent agency in the business of rating such offerings.

BPOL Tax – business license or gross receipts tax, this item taxes the total revenues of a business.

Budget – a plan of financial operation including an estimate of proposed means of financing them (revenue estimates). The term also sometimes is used to denote the officially approved expenditure ceilings under which the City and its departments operate.

Budget Calendar – the schedule of key dates or milestones that the City follows in the preparation and adoption of the budget.

BZA – Board of Zoning Appeals.

Capital Improvement Plan (CIP) – a five-year plan of proposed capital expenditures for long-term improvements to the City’s facilities including water, sewer, transit and schools; identifies each project and source of funding.

Cityscene – A monthly report to the Citizens of the City of Fairfax written and mailed by the City Community Relations Department; the *Cityscene* includes articles of interest, notices of public meetings, minutes of public meetings and other information pertinent to the citizens of the City of Fairfax.

Coefficient of Dispersion – represents the mean percentage deviation from a median.

Comprehensive Annual Financial Report (CAFR) – the annual report that represents a locality’s financial activities and contains the independent auditor’s reports on compliance with laws, regulations and internal controls over financial reporting based on an audit of financial statements performed in accordance with “Government Auditing Standards.”

COG – Washington metropolitan council of governments – an independent, nonprofit association of 17 member governments located in the Washington metropolitan region.

Constitutional Officers – officials elected to four-year terms of office who are authorized by the Constitution of Virginia to head City departments, the Treasurer and Commissioner of Revenue in the City.

Consumer Price Index (CPI) – a measure, calculated by the United States Department of Labor, commonly used to indicate the rate of inflation.

Contingency – a budgetary reserve set aside for emergencies or unforeseen expenditures for which no other budget exists.

CPR – cardio-pulmonary resuscitation.

CriS Kiosk – An interactive multimedia kiosk including information about government services and regional attractions. The kiosk, named CRIS (Community Resident Information System), is a cooperative project with Fairfax County. Kiosks are located in area government offices, shopping malls and libraries.

CSA – comprehensive services act.

CUE Bus – City/University/Energy Saver bus system – provides bus service to City residents and George Mason University (GMU) students.

CY – Calendar year.

Debt Per Capita – total outstanding debt divided by the population of the City.

Debt Ratio – a measure used that determines the annual debt service or outstanding debt as a percentage of some other item which is generally an indication of the ability of the City to repay the debt; examples include annual debt service as a percentage of total annual expenditures and total outstanding debt as a percentage of total assessed value.

Debt Service – the payment of interest and principal to holders of the City's debt instruments.

E-911 Tax – this is a tax on telephone usage to pay for fire and police emergency dispatch operations.

Economic Development Authority (EDA) – responsible for encouraging industrial and commercial development in the City.

EMS – emergency medical services.

EMT – emergency medical technician.

Encumbrance – a reservation of funds that represents a legal commitment, often established through contract, to pay for future goods or services.

Enterprise Funds – account for the financing of services to the general public whereby all or most of the operating expenses involved are recorded in the form of charges to users of such services. The enterprise funds consist of the Sewer Utility Fund, the Water Utility Fund and the Transit Fund (although transit is not formally recognized as an enterprise fund).

Expenditure – actual outlay of monies for goods or services.

Expenses – expenditures and encumbrances for goods and services.

Fair Market Sales – defined as an “arm's length” transaction where there is a willing buyer and a willing seller, neither of which is under pressure to sell or buy. This excludes transfers such as sales within a family, foreclosures, or sales to a governmental unit.

Fastran – name of paratransit service.

FHS – Fairfax High School.

Fringe Benefits – the employer contributions paid by the City as part of the conditions of employment. Examples include health insurance, state public employees retirement system and the City retirement system.

Full-Time Equivalent (FTE) – a measure for determining personnel staffing, computed by equating 2,080 hours of work per year (2,912 for firefighters) with one full-time equivalent position.

Fund – an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities that are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance – the excess of an entity's assets over its liabilities also known as excess revenues over expenditures. A negative fund balance is sometimes called a deficit.

GASB – Governmental Accounting Standards Board – an organization that provides the ultimate authoritative accounting and financial reporting standards for state and local governments.

General Obligation Bond – a bond for which the full faith and credit of the City is pledged for payment.

Historic Fairfax City, Inc. (HFCI) -- a nonprofit in the City whose purpose is to promote and preserve historic properties in the City of Fairfax. They also promote public awareness and appreciation of the history of the City of Fairfax.

Industrial Development Authority (IDA) – responsible for encouraging industrial and commercial development in the City.

Infrastructure – public systems and facilities, including water and sewer systems, roads, bridges, public transportation systems, schools and other utility systems.

Internal Service Charges – charges to City departments for assigned vehicle repairs and maintenance provided by the fleet maintenance division.

IT – information technology.

Median Household Income – median denotes the middle value in a set of values, in this case, household income.

MGD – million gallons per day.

MIS Services – management information services generally referring to information technology products and services.

MISS UTILITY – an organization that tracks utilities so that, in accordance with the Underground Utility Protection Law, anybody who wants to dig in the ground for any purpose can determine where utilities are located.

Modified Accrual Basis of Accounting – basis of accounting according to which revenues are recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which are recognized when due.

Non-Departmental Accounts – accounts used to record expenditures that cannot or have not been allocated to individual departments.

NVTC – Northern Virginia Transportation Commission.

Object – as used in expenditure classification, this term applies to the type of item purchased or the service obtained (as distinguished from the results obtained from expenditures). Examples are personnel services, contractual services and materials and supplies.

Old Town Service District – the area defined as Old Town Fairfax; the service district was established to provide revenues, through a special assessment, to help fund costs related to the Old Town Fairfax development projects.

Performance Measure – an indicator of the attainment of an objective; it is a specific quantitative measure of work performed or services provided within an activity or program, or it may be a quantitative measure of results obtained through a program or activity.

Personal Property Tax (PP) – a City tax levied on motor vehicles and boats based on published listings of values, and on machinery and tools based on a percentage of cost.

Proposed Budget – the operating and capital budgets submitted to the City Council by the City Manager.

Proprietary Fund – a fund that accounts for operations that are financed in a manner similar to private business enterprise; consists of enterprise funds.

Public Service Corporation (PSC) – an entity defined by the Commonwealth of Virginia as providing utilities to residents and businesses; includes power companies, phone companies, gas companies, and other similar type organizations.

Real Estate Tax (R/E) – a tax levied by the City Council on real property in the City of Fairfax; real property is defined as land and improvements on the land (buildings).

Reserve – an account used to indicate that a portion of fund equity is legally restricted.

Residential Renaissance Program – a set of programs run by the Renaissance Housing Corporation, a non-profit organization in the City, to assist homeowners in improving and upgrading their houses; currently taking applications for a residential home improvement loan whereby the Renaissance Housing Corporation will buy down the first two years of interest on home improvement loans for those meeting established criteria.

Revenue – the income received by the City in support of a program of services to the community; includes such items as property taxes, fees, user charges, grants, fines and forfeitures, interest income and miscellaneous revenue.

Revenue Estimate – a formal estimate of how much revenue will be earned from a specific revenue source for some future period – typically a future fiscal year.

ROW – right-of-way.

Salaries – the amounts paid for personal services rendered by employees in accordance with rates, hours, terms and conditions authorized by law or stated in employment contracts. This category also includes overtime and temporary help.

SUP – special use permit as in zoning.

Supplies and Material – the expenditure classification used in the budget to cover office and operating supplies, construction materials, chemicals, fuels, and repair parts.

Tax Rate – the amount of tax levied for each \$100 of assessed value.

TEIF Grant – Transportation Efficiency and Improvement Fund.

Transient Occupancy or Lodging Tax – tax on stays at hotels and motels of less than 30 days duration.

UCR based reporting – Uniform Crime Reporting; move is toward incident based reporting (IBR).

User Fees – the payment of a fee for direct receipt of a public service by the person benefiting from the service.

VML – Virginia Municipal League – a nonprofit association of City, town and county officials that provides member services to Virginia local governments.

WMATA – Washington Metropolitan Area Transit Authority, the regional agency that operates the METRO bus and subway systems expenditures.